

# PRESS RELEASE

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## For Immediate Release

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Madison, Wisconsin -- Stephen P. Sinnott, United States Attorney for the Western District of Wisconsin, announced today the unsealing of an indictment returned by a federal grand jury sitting in Madison, Wisconsin, on December 7, 2005. The indictment charged three former Eau Claire, Wisconsin residents with conspiracy to commit tax fraud, filing false income tax returns, and structuring their cash transactions at local banks. If convicted, each defendant faces a maximum penalty of five years in prison and a \$250,000 fine for the tax conspiracy count and the structuring counts, and three years in prison and a \$250,000 fine on the false tax return counts. The defendants also face criminal forfeiture of \$366,800 in illegal cash proceeds.

The indictment alleges that defendants To Kong Yeung, 57, You Bin Yang, 30, and You Lin Yang, 31, all of Las Vegas, Nevada, owned and operated the China Buffet restaurant in Eau Claire, Wisconsin, from 1997 to September 2004. During this time frame, the defendants are alleged to have conspired to defraud the Internal Revenue Service of taxes by committing numerous acts, including:

- All three defendants made daily bank deposits into the China Buffet business bank account at Royal Credit Union, located near the restaurant. The defendants deposited the receipts from credit cards and checks into the China Buffet bank account. The defendants failed, however, to deposit any of the cash receipts from China Buffet into the business bank account. Cash receipts accounted for

over 65% of the total business receipts for China Buffet. Instead, the defendants brought cash to the credit union and asked the tellers to convert the cash into larger bills (e.g., \$50 and \$100 bills).

- The defendants filed false sales tax returns with the State of Wisconsin reporting an approximation of business receipts that had been deposited into the China Buffet bank account at Royal Credit Union. The gross receipts reported to the State of Wisconsin for sales tax purposes did not include cash receipts.
- The defendants reported the same gross receipts numbers on the China Buffet federal income tax returns, Schedule C, as they had reported to the State of Wisconsin on the state sales tax returns. The state and federal returns for gross receipts matched; both failed to include any cash receipts. For the years 1997 through 2001, the defendants underreported over \$2,600,000 in gross receipts for China Buffet to the IRS.
- The defendants evaded paying over \$760,000 in federal income taxes for the years 1997 to 2001.
- The defendants every month would phone in the false gross receipts numbers to their accountants at CAAT, Inc. in New York.
- The defendants would sometimes not use the cash register at China Buffet and handle the customer sales by hand. If the customer asked for a receipt, the defendants would give the customer their food bill back stamped with a China Buffet stamp, rather than keep the copy for their records.
- The defendants hired illegal aliens to work at China Buffet. The defendants failed to report the wages for these illegal aliens to the IRS, and did not pay the employment taxes associated with these wages.
- On the federal tax returns, Schedule C, for China Buffet, the defendants reported false "cost of goods sold" figures that were lower than the actual costs in order make sure the ratio between gross receipts and "cost of goods sold" did not appear abnormal and draw attention to the cash skim.
- The defendants attempted to obstruct and impede the criminal tax investigation conducted by agents with the IRS Criminal Investigation Division ("IRS-CID") by throwing away, in dumpsters not associated with China Buffet, numerous business and tax records relating to China Buffet for the years 1999-2003. The defendants put the records in the dumpsters the day after they were contacted by

IRS-CID agents and informed that they were all subjects of a criminal tax investigation.

Defendants You Bin Yang and You Lin Yang were arrested on Tuesday, December 13, 2005, in Las Vegas, Nevada. They appeared in U.S. District Court in Las Vegas and were detained pending trial. Their arraignment is set for January 31, 2006, at 10:00 a.m. in U.S. District Court in Madison, Wisconsin. To Kong Yeung remains a fugitive.

The charges against the defendants are the result of an investigation conducted by the Eau Claire Police Department, the Wisconsin Department of Revenue - Criminal Investigation Division, Eau Claire office, and the Internal Revenue Service - Criminal Investigation Division, Eau Claire office. The case is being prosecuted by Assistant U.S. Attorney Daniel J. Graber.

You are advised that a charge is merely an accusation and that each defendant is presumed innocent until and unless proven guilty.

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